

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 1459

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E.O. 11652: N/A

TAGS: PFOR, EFIN, EAID, YO, GW

SUBJ: WEST GERMAN - YUGOSLAV SIGN CREDIT AGREEMENT

REF: BELGRADE 0944

1. TANJUG, DEC 11, ANNOUNCED YUGOSLAV AND FRG GOVTS HAVE FORMALLY SIGNED 700 MILLION DM CREDIT AGREEMENT THAT HAD BEEN PREVIOUSLY AGREED UPON IN PRINCIPLE. ACCORDING TO TANJUG CREDIT IS REPAYABLE OVER 30 YEARS AT 20 PERCENT INTEREST WITH NO PAYMENTS DUE FOR TEN YEARS.

2. YUGOSLAV FEDERAL SECRETARY OF FINANCE MOMCILO CEMOVIC QUOTED AS SAYING CREDIT AGREEMENT IS BASED ON JOINT COMMUNIQUE ISSUED AFTER APRIL 1973 BRANDT VISIT TO YUGOSLAVIA (WHICH SAID OPEN QUESTIONS FROM PAST SHOULD BE SOLVED THROUGH LONG-TERM COOPERATION IN ECONOMIC AND OTHER SPHERES) AND AGREEMENT FURTHERS COOPERATION IN SPIRIT OF COMMUNIQUE ISSUED AFTER TITO VISIT TO FRG IN JUNE '74.

3. IN TANJUG COMMENT, DIPLOMATIC EDITOR VELIMER BUDIMIR
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WRITES IT IS PARTICULARLY SIGNIFICANT TO UNDERLINE DISTINCTLY

POLITICAL CHARACTER OF AGREEMENT, AS IT BOTH SOLVES PAST ISSUES AND OPENS DOOR FOR FUTURE COOPERATION. HE ADDS, AGREEMENT LIFTS A HEAVY MORTGAGE FROM YUGOSLAV-WEST GERMAN RELATIONS.

4. COMMENT: FORMAL SIGNING OF AGREEMENT IS FINAL STEP OF LONG PROCESS WORKING OUT PRACTICAL IMPLEMENTATION OF WHAT GERMANS TEND EMPHASIZE AS FORWARD LOOKING COOPERATION AND YUGOSLAVS AS INDEMNIFICATION FOR PAST, ALTHOUGH BOTH SIDES ACKNOWLEDGE ITS DKPL ASPECTS. CONCESSIONARY D-M CREDIT IN ITSELF (280 MILLION DM IN 1974 WITH 140 MILLION IN SUCCEEDING THREE YEARS) IS WELCOME BOOST TO YUGOSLAV FOREIGN EXCHANGE POSITION, DESPITE GOOD RESERVE LEVEL, IN YEAR WHERE CURRENT ACCOUNT DEFICIT MAY EXCEED \$1 BILLION AND FOREIGN LENDING BECOMING LESS ACCESSIBLE. ADDITIONALLY, YUGOSLAVS INTERPRET AGREEMENT AS RECOGNITION COMPENSATION DUE YUGOSLAVIA FOR NAZI-CAUSED SUFFERING AND DAMAGES IN WWII. PERHAPS MOST SIGNIFICANT TO YUGOSLAVS IS HOPE THAT FUTURE BILATERAL ISSUES MAY BE ADDRESSED IN SIMILAR SPIRIT OF COOPERATION. WEST GERMAN DIPLOMAT TOLD EMBASSY THAT DESPITE STANDARD CLAUSE ASKING SPECIAL CONSIDERATION FOR PRODUCTS FROM WEST BERLIN, CREDIT IS NOT NECESSARILY TIED TO PURCHASE OF GERMAN PRODUCTS, HOWEVER, AT LEAST ONE-HALF CREDIT IS earmarked for spending on high-voltage electrical transmission grid and one-half for spending on commodity imports, so broadly defined as to give YUGOSLAVS "FREE HAND." GERMAN DIPLOMAT SAID BOTH SIDES AGREE THAT CREDIT "CLOSES PAST" AS FAR AS FINANCIAL EXPENDITURES FROM GERMAN BUDGET ARE CONCERNED.
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